

Colorado Home Prices: High on Marijuana?

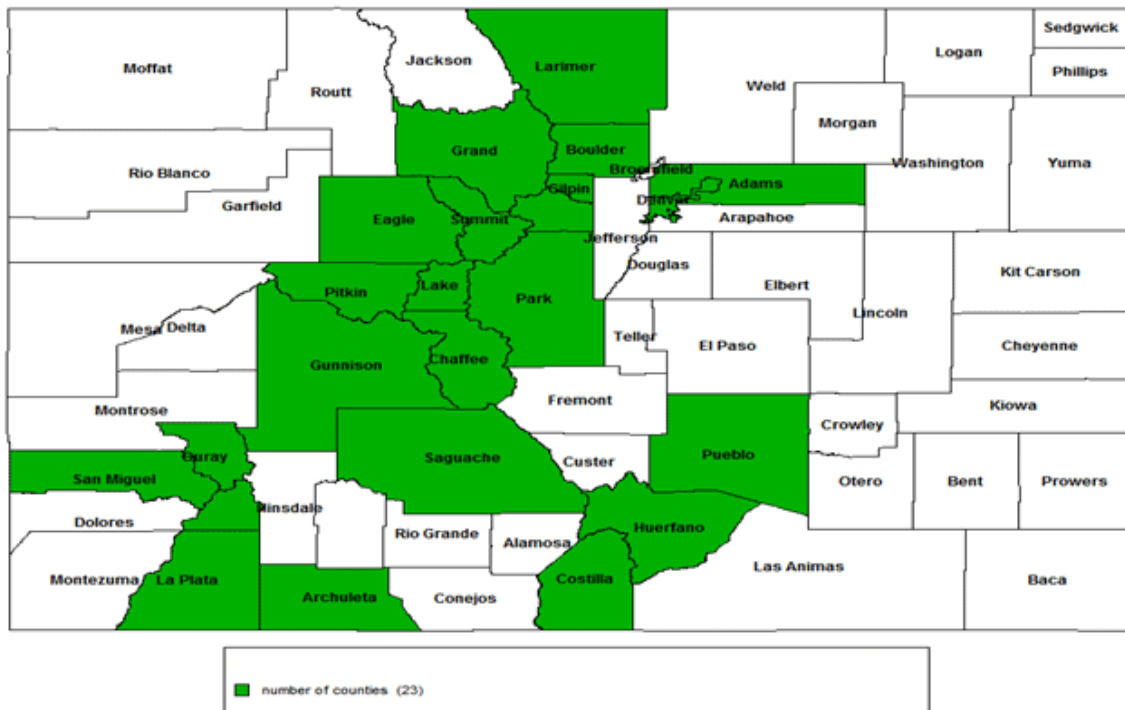
Locales That Allowed Retail Marijuana Sales Had Increased Price Growth

[Yanling Mayer](#) | [Housing Trends](#)

On November 6, 2012, Colorado voters made history by passing [Amendment 64](#) legalizing marijuana for recreational purposes. Colorado became one of the first two states in U.S., along with Washington, to legally allow the possession, transportation, or purchase of a small, regulated amount of marijuana in public or at private homes for adults 21 and over.

Rather than imposing the new measure statewide, Amendment 64 left it to local municipalities to allow or ban retail marijuana sales. As of August 2016, 23 of the state's 64 counties and 62 municipalities had adopted a local ordinance to permit retail marijuana licensing and commercial distribution.^[1] The map shows counties legalizing retail marijuana establishments.

Figure 1: Colorado Counties where Retail Marijuana is Permitted



Source: Colorado Dept of Revenue

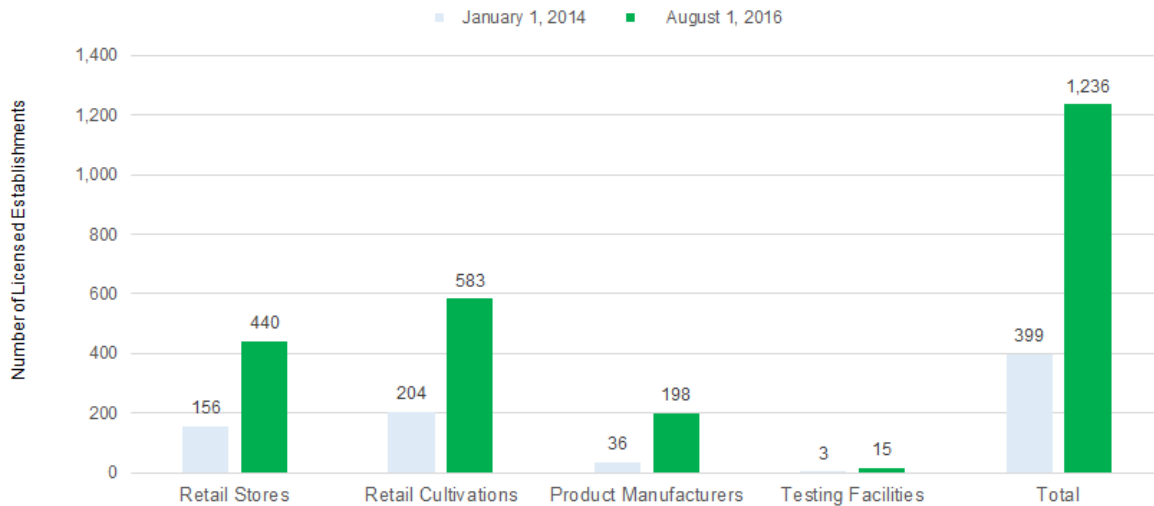
© 2016 CoreLogic, Inc. All rights reserved.

While the establishment of the retail marijuana industry was expected to create new jobs and business opportunities, thus also increasing local tax revenue that can be spent on schools and other public goods, there were also anticipated adverse social as well as public health issues that local communities would have to devote resources to address. Local city councils cast their votes with a split along these lines. According to a 2015 statewide survey of local municipalities, those adopting a retail law cited economic considerations as important incentives. In comparison, morality and public safety concerns were cited as the primary reasons for those deciding against the legalization.^[2]

Likewise, the establishment of retail marijuana sales has had potential implications for the state's housing market and property values. On the demand side, new business and employment opportunities created by the retail industry

means local demand for housing is getting a boost, as the nascent industry has grown rapidly – not to mention its spillovers into other new business opportunities – the so-called “[green rush](#).” Although not the equivalent of employment growth, the retail marijuana business licensing data from the Colorado Department of Revenue depicts an industry in rapid expansion.[\[3\]](#)

Figure 2: Licensed Retail Marijuana Establishments



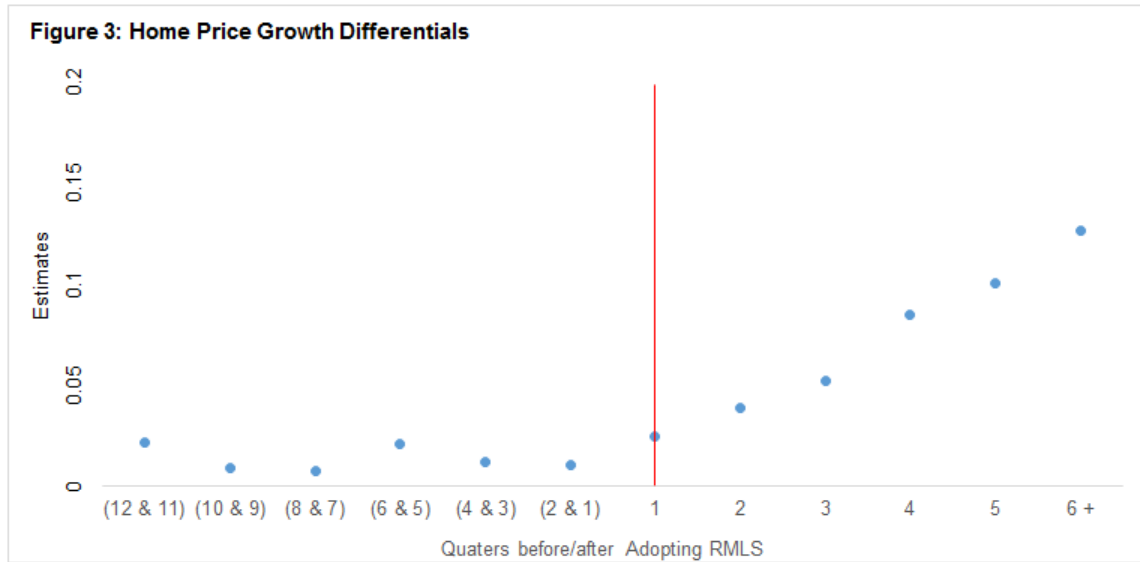
Source: Colorado Department of Revenue

©2016 CoreLogic, Inc. All rights reserved.

Migration may also pick up from out-of-state residents who value access to recreational and medical marijuana. Colorado has one the lowest unemployment rates in the nation, and Denver is consistently ranked among one of the best cities for tech professionals, trailing just behind Boston, San Jose and San Francisco, according to a recent Huffington Post [report](#).

A new study using CoreLogic public records data finds that the constitutional amendment may have had a significant impact on home prices.[\[4\]](#) The study compared home price trends between localities that legalized the operation of retail marijuana facilities against those that did not. The study found that three years after the landmark vote, areas that allowed retail marijuana sales have had incremental property growth of 8 percent on average, or an equivalent increase of \$21,200 per property.

Figure 3 shows the percentage difference in housing values between adopting and non-adopting municipalities **before** and **after** passing local retail marijuana laws (RMLs). Prior to the law’s adoption, there was no statistical difference in home price growth between adopting and non-adopting municipalities and towns. But following the enactment of the laws, home prices in adopting municipalities began to rise much faster than in non-adopting cities and towns. Even after controlling for local demographic and socioeconomic factors, these statistically and economically significant differences persisted and became increasingly stronger over time. Despite differing sides of the moral argument, there was widespread agreement that the amendment would bring change to Colorado – perhaps what wasn’t fully anticipated was that housing prices would get high off marijuana too.



Source: Working Paper, "The Effect of Legalizing Retail Marijuana on Housing Values: Evidence from Colorado," C. Cheng, W.J. Mayer, and Y.G. Mayer, April 2016

© 2016 CoreLogic, Inc. All rights reserved.

¹https://www.colorado.gov/pacific/sites/default/files/Local%20Authorities%20Allowing%20Retail%2008152016_4.pdf

² Johns, Tracy L. (2015). "Managing a Policy Experiment Adopting and Implementing Recreational Marijuana Policies in Colorado." *State and Local Government Review* 47(3): 193-204.

³<https://www.colorado.gov/pacific/enforcement/licensees-marijuana-enforcement-division>

⁴["The Effect of Legalizing Retail Marijuana on Housing Values: Evidence from Colorado."](#) Cheng Cheng, Walter Mayer, and Yanling Mayer, presented at AREUEA conference June 2016.

©2016 CoreLogic, Inc. All rights reserved.